

WEST HARRISON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Walter Utman	President	2005
Dale Davis	Vice-President	2006
Sue Maule	Board Member	2006
Kandy Forbes	Board Member	2007
Jason Sherer	Board Member	2007

Board of Education
(After September 2005 Election)

Dale Davis	President	2006
Jason Sherer	Vice-President	2007
Sue Maule	Board Member	2006
Kandy Forbes	Board Member	2007
Walter Utman	Board Member	2008

School Officials

Richard Gerking	Superintendent	2006
Jane Roden	Board Secretary/ Business Manager	2006
Ahlers & Cooney, P.C.	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Harrison Community School District, Mondamin, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

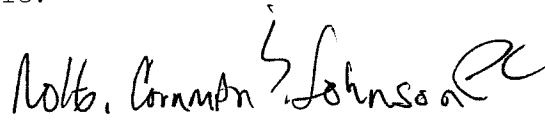
In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2006 on our consideration of West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Harrison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,427,228 in fiscal 2005 to \$4,510,737 in fiscal 2006, while General Fund expenditures decreased from \$4,659,073 in fiscal 2005 to \$4,497,065 in fiscal 2006. This resulted in an increase in the District's General Fund balance from a deficit balance of \$33,551 in fiscal 2005 to a deficit balance of \$18,360 in fiscal 2006, a 45.3% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local taxes in fiscal 2006. The decrease in expenditures was due primarily to the decrease in the instructional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Harrison Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

West Harrison Community School District Annual Financial Report

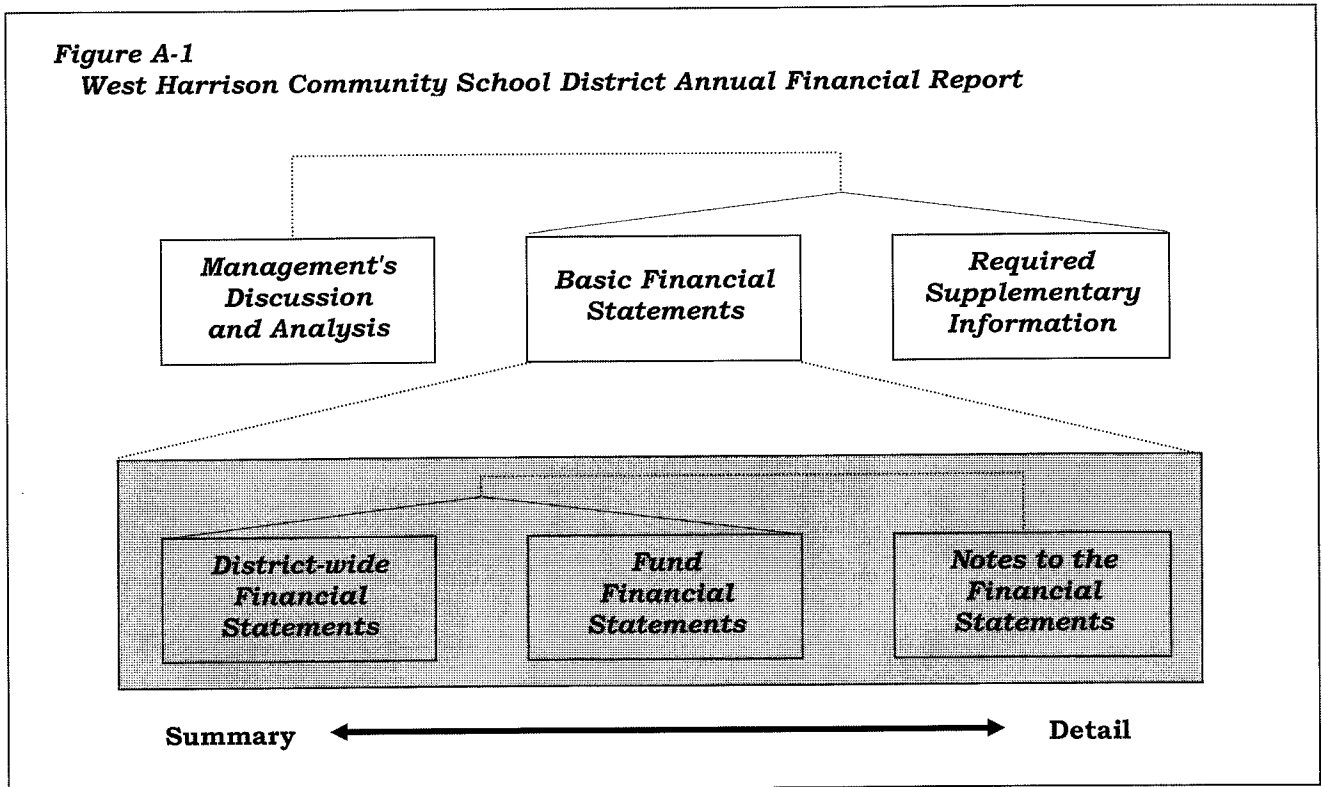


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 4,762,749	4,523,360	6,865	13,453	4,769,614	4,536,813	5.13%
Capital assets	4,761,471	4,807,450	20,119	23,659	4,781,590	4,831,109	-1.03%
Total assets	9,524,220	9,330,810	26,984	37,112	9,551,204	9,367,922	1.96%
Long-term obligations	2,405,919	2,721,004	0	0	2,405,919	2,721,004	-11.58%
Other liabilities	4,076,869	4,046,768	12,887	2,284	4,089,756	4,049,052	1.01%
Total liabilities	6,482,788	6,767,772	12,887	2,284	6,495,675	6,770,056	-4.05%
Net assets:							
Invested in capital assets, net of related debt	2,486,065	2,228,252	20,119	23,659	2,506,184	2,251,911	11.29%
Restricted	530,863	346,113	0	0	530,863	346,113	53.38%
Unrestricted	24,504	(11,327)	(6,022)	11,169	18,482	(158)	11797.47%
Total net assets	\$ 3,041,432	2,563,038	14,097	34,828	3,055,529	2,597,866	17.62%

The District's combined net assets increased by 17.62%, or \$457,663, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$184,750, or 53.38% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$18,640. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 494,653	550,520	101,119	99,812	595,772	650,332	-8.39%
Operating grants and contributions and restricted interest	660,134	591,761	117,195	121,969	777,329	713,730	8.91%
Capital grants and contributions and restricted interest	21,918	57,250	0	0	21,918	57,250	-61.72%
General revenues:							
Property tax	2,130,118	1,998,044	0	0	2,130,118	1,998,044	6.61%
Local option sales and services tax	239,750	263,789	0	0	239,750	263,789	-9.11%
Unrestricted state grants	1,935,001	2,009,086	0	0	1,935,001	2,009,086	-3.69%
Other	131,752	56,924	273	372	132,025	57,296	130.43%
Total revenues	5,613,326	5,527,374	218,587	222,153	5,831,913	5,749,527	1.43%
Program expenses:							
Governmental activities:							
Instructional	3,030,631	3,067,080	0	0	3,030,631	3,067,080	-1.19%
Support services	1,673,359	1,562,217	0	0	1,673,359	1,562,217	7.11%
Non-instructional programs	0	24,719	239,318	238,027	239,318	262,746	-8.92%
Other expenses	430,942	441,763	0	0	430,942	441,763	-2.45%
Total expenses	5,134,932	5,095,779	239,318	238,027	5,374,250	5,333,806	0.76%
Changes in net assets before extraordinary items	478,394	431,595	(20,731)	(15,874)	457,663	415,721	10.09%
Extraordinary Items:							
Reorganization settlements	0	189,095	0	126	0	189,221	-100.00%
Changes in net assets	478,394	620,690	(20,731)	(15,748)	457,663	604,942	-24.35%
Beginning net assets	2,563,038	1,942,348	34,828	50,576	2,597,866	1,992,924	30.35%
Ending net assets	\$ 3,041,432	2,563,038	14,097	34,828	3,055,529	2,597,866	17.62%

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant

evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$5,613,326 and expenses were \$5,134,932. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,030,631	2,029,989
Support services	1,673,359	1,673,359
Other expenses	430,942	254,879
Totals	<u>\$ 5,134,932</u>	<u>3,958,227</u>

- The cost financed by users of the District's programs was \$494,653.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$682,052.
- The net cost of governmental activities was financed with \$2,130,118 in property tax, \$239,750 in local option sales and services tax, \$1,935,001 in unrestricted state grants, \$74,256 in interest income and \$4,925 from intermediate sources.

Business-Type Activities

Revenues of the District's business-type activities were \$218,587 and expenses were \$239,318. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Harrison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$570,438, above last year's ending fund balances of a \$377,237. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to the contributions made in the Jimmy King performing arts center trust during the fiscal year 2006.

Governmental Fund Highlights

- The increase in revenues was enough offset the expenditures during the fiscal year 2006, causing the General Fund balance to increase. However, the District still has a deficit fund balance in the General fund.
- The Jimmy King performing arts center trust fund balance increased by \$102,389 due to donations and interest on donations.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$34,828 at June 30, 2005 to \$14,097 at June 30, 2006, representing a decrease of 59%. For fiscal 2006, the District's expenditures decreased but they were still more than the revenues resulting in a decrease in the fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$553,687 less than budgeted revenues, a variance of 8.68%. The most significant variance resulted from the District receiving less in local and federal sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$4,781,590, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 4% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$194,849.

The original cost of the District's capital assets was \$7,103,561. Governmental funds account for \$7,059,102 with the remainder of \$44,459 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$363,243 at June 30, 2006, compared to \$334,743 reported at June 30, 2005. This increase resulted from the additions of new buses and other machinery and equipment during fiscal year 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,372,202	4,449,938	0	0	4,372,202	4,449,938	-1.78%
Land improvements	26,145	26,428	0	0	26,145	26,428	-1.08%
Machinery and equipment	343,124	311,084	20,119	23,659	363,243	334,743	7.85%
Total	\$ 4,761,471	4,807,450	20,119	23,659	4,781,590	4,831,109	-1.04%

Long-Term Debt

At June 30, 2006, the District had \$2,405,919 in general obligation and other long-term debt outstanding. This represents a decrease of 11.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$2,340,000 at June 30, 2006.

The District had early retirement payable of \$65,919 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 2,340,000	2,640,000	-11.4%
Early retirement	65,919	81,004	-18.6%
Totals	\$ 2,405,919	2,721,004	-11.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced decreased enrollment, and the projected numbers are smaller for the next 5 to 6 years.
- With the dissolution of the East Monona Community School District, the area served by West Harrison Community School District has increased, which has increased the District's transportation needs and expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 3)	\$ 1,497,589	0	1,497,589
Other	785,375	0	785,375
Receivables:			
Property tax:			
Delinquent	138,302	0	138,302
Succeeding year	2,099,431	0	2,099,431
Income surtax	121,847	0	121,847
Accounts	1,506	0	1,506
Accrued interest - ISCAP (Note 3)	10,830	0	10,830
Due from other governments	107,869	0	107,869
Inventories	0	6,865	6,865
Capital assets, net of accumulated depreciation (Note 4)	4,761,471	20,119	4,781,590
TOTAL ASSETS	9,524,220	26,984	9,551,204
LIABILITIES			
Excess of warrants issued over bank balance	0	10,354	10,354
Accounts payable	18,342	0	18,342
Salaries and benefits payable	435,162	0	435,162
ISCAP warrants payable (Note 3)	1,497,000	0	1,497,000
ISCAP accrued interest payable (Note 3)	9,884	0	9,884
ISCAP unamortized premium	10,645	0	10,645
Accrued interest payable	6,405	0	6,405
Deferred revenue:			
Succeeding year property tax	2,099,431	0	2,099,431
Other	0	2,533	2,533
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	305,000	0	305,000
Early retirement payable	17,073	0	17,073
Portion due after one year:			
General obligation bonds payable	2,035,000	0	2,035,000
Early retirement payable	48,846	0	48,846
TOTAL LIABILITIES	6,482,788	12,887	6,495,675
NET ASSETS			
Investment in capital assets, net of related debt	2,486,065	20,119	2,506,184
Restricted for:			
Early intervention	12	0	12
Salary improvement program	111	0	111
Capital projects	274,823	0	274,823
Physical plant and equipment levy	32,276	0	32,276
Other special revenue purposes	223,641	0	223,641
Unrestricted	24,504	(6,022)	18,482
TOTAL NET ASSETS	\$ 3,041,432	14,097	3,055,529

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,900,804	257,859	502,377	0	(1,140,568)	0	(1,140,568)
Special instruction	609,976	139,533	606	0	(469,837)	0	(469,837)
Other instruction	519,851	97,261	3,006	0	(419,584)	0	(419,584)
	<u>3,030,631</u>	<u>494,653</u>	<u>505,989</u>	<u>0</u>	<u>(2,029,989)</u>	<u>0</u>	<u>(2,029,989)</u>
Support services:							
Student services	146,616	0	0	0	(146,616)	0	(146,616)
Instructional staff services	198,741	0	0	0	(198,741)	0	(198,741)
Administration services	545,057	0	0	0	(545,057)	0	(545,057)
Operation and maintenance of plant services	379,808	0	0	0	(379,808)	0	(379,808)
Transportation services	403,137	0	0	0	(403,137)	0	(403,137)
	<u>1,673,359</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,673,359)</u>	<u>0</u>	<u>(1,673,359)</u>
Other expenditures:							
Facilities and acquisitions	76,587	0	0	21,918	(54,669)	0	(54,669)
Long-term debt interest	81,732	0	0	0	(81,732)	0	(81,732)
AEA flowthrough	154,145	0	154,145	0	0	0	0
Depreciation(unallocated)*	118,478	0	0	0	(118,478)	0	(118,478)
	<u>430,942</u>	<u>0</u>	<u>154,145</u>	<u>21,918</u>	<u>(254,879)</u>	<u>0</u>	<u>(254,879)</u>
Total governmental activities	<u>5,134,932</u>	<u>494,653</u>	<u>660,134</u>	<u>21,918</u>	<u>(3,958,227)</u>	<u>0</u>	<u>(3,958,227)</u>
Business-Type activities:							
Non-instructional programs:							
Nutrition services	239,318	101,119	117,195	0	0	(21,004)	(21,004)
Total business-type activities	<u>239,318</u>	<u>101,119</u>	<u>117,195</u>	<u>0</u>	<u>0</u>	<u>(21,004)</u>	<u>(21,004)</u>
Total	<u>\$ 5,374,250</u>	<u>595,772</u>	<u>777,329</u>	<u>21,918</u>	<u>(3,958,227)</u>	<u>(21,004)</u>	<u>(3,979,231)</u>
General Revenues:							
Local tax for:							
General purposes					\$ 1,703,675	0	1,703,675
Debt Service					382,663	0	382,663
Capital outlay					43,780	0	43,780
Local option sales and services tax					239,750	0	239,750
Unrestricted state grants					1,935,001	0	1,935,001
Unrestricted investment earnings					74,256	273	74,529
Intermediary sources					4,925	0	4,925
Other revenue					52,571	0	52,571
Total general revenues					<u>4,436,621</u>	<u>273</u>	<u>4,436,894</u>
Changes in net assets					478,394	(20,731)	457,663
Net assets beginning of year					<u>2,563,038</u>	<u>34,828</u>	<u>2,597,866</u>
Net assets end of year					<u>\$ 3,041,432</u>	<u>14,097</u>	<u>3,055,529</u>

* This amount excludes the depreciation that is included in the direct expense of various program.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 3)	\$ 1,497,589	0	0	1,497,589
Other	331,110	170,759	283,506	785,375
Receivables:				
Property tax:				
Delinquent	25,115	104,064	9,123	138,302
Succeeding year	1,608,234	0	491,197	2,099,431
Income surtax	121,847	0	0	121,847
Accounts	1,506	0	0	1,506
Accrued interest - ISCAP (Note 3)	10,830	0	0	10,830
Due from other governments	85,951	0	21,918	107,869
TOTAL ASSETS	\$ 3,682,182	274,823	805,744	4,762,749
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 17,770	0	572	18,342
Salaries and benefits payable	435,162	0	0	435,162
ISCAP warrants payable (Note 3)	1,497,000	0	0	1,497,000
ISCAP accrued interest payable (Note 3)	9,884	0	0	9,884
ISCAP unamortized premium	10,645	0	0	10,645
Deferred revenue:				
Succeeding year property tax	1,608,234	0	491,197	2,099,431
Income surtax	121,847	0	0	121,847
Total liabilities	3,700,542	0	491,769	4,192,311
Fund balances:				
Reserved for:				
Early intervention	12	0	0	12
Salary improvement program	111	0	0	111
Debt service	0	0	70,999	70,999
Unreserved:				
General	(18,483)	0	0	(18,483)
Capital Projects	0	274,823	0	274,823
Physical plant and equipment levy	0	0	32,276	32,276
Other special revenue purposes	0	0	210,700	210,700
Total fund balances	(18,360)	274,823	313,975	570,438
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,682,182	274,823	805,744	4,762,749

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 570,438
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,761,471
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	121,847
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,405)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,405,919)
Net assets of governmental activities (page 13)	<u><u>\$ 3,041,432</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,595,121	239,750	525,044	2,359,915
Tuition	256,689	0	0	256,689
Other	122,045	3,410	239,347	364,802
Intermediate sources	4,925	0	0	4,925
State sources	2,300,717	0	417	2,301,134
Federal sources	231,240	62,750	21,918	315,908
Total revenues	4,510,737	305,910	786,726	5,603,373
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,852,609	0	28,376	1,880,985
Special instruction	609,976	0	0	609,976
Other instruction	397,688	0	125,968	523,656
	2,860,273	0	154,344	3,014,617
Support services:				
Student services	146,616	0	0	146,616
Instructional staff services	160,791	37,950	0	198,741
Administration services	545,057	0	0	545,057
Operation and maintenance of plant services	308,284	0	71,524	379,808
Transportation services	321,899	48,630	102,849	473,378
	1,482,647	86,580	174,373	1,743,600
Other expenditures:				
Facilities acquisitions	0	79,113	37,933	117,046
Long-term debt:				
Principal	0	0	300,000	300,000
Interest and fiscal charges	0	0	82,283	82,283
AEA flowthrough	154,145	0	0	154,145
	154,145	79,113	420,216	653,474
Total expenditures	4,497,065	165,693	748,933	5,411,691
Excess of revenues over expenditures	13,672	140,217	37,793	191,682
Other financing sources:				
Sale of real property	1,519	0	0	1,519
Total other financing sources	1,519	0	0	1,519
Net change in fund balances	15,191	140,217	37,793	193,201
Fund balance beginning of year	(33,551)	134,606	276,182	377,237
Fund balance end of year	\$ (18,360)	274,823	313,975	570,438

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ 193,201

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 96,835	
Depreciation expense	<u>(142,814)</u>	(45,979)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	300,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	551
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	9,953
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	15,085	
ISEBA assessment	<u>5,583</u>	<u>20,668</u>

Changes in net assets of governmental activities (page 14)	<u>\$ 478,394</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Inventories	\$ 6,865
Capital assets, net of accumulated depreciation(Note 4)	<u>20,119</u>
TOTAL ASSETS	<u>26,984</u>
LIABILITIES	
Excess of warrants issued over bank balance	10,354
Deferred revenue:	
Other	<u>2,533</u>
TOTAL LIABILITIES	<u>12,887</u>
NET ASSETS	
Investment in capital assets, net of related debt	20,119
Unrestricted	<u>(6,022)</u>
TOTAL NET ASSETS	<u>\$ 14,097</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 101,119
TOTAL OPERATING REVENUES	<u>101,119</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	103,043
Benefits	19,940
Services	1,574
Supplies	111,214
Other	7
Depreciation	3,540
TOTAL OPERATING EXPENSES	<u>239,318</u>
OPERATING LOSS	<u>(138,199)</u>
NON-OPERATING REVENUES:	
State sources	3,178
Federal sources	114,017
Interest on investments	273
TOTAL NON-OPERATING REVENUES	<u>117,468</u>
Change in net assets	(20,731)
Net assets beginning of year	<u>34,828</u>
Net assets end of year	<u>\$ 14,097</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,305
Cash received from miscellaneous	63
Cash payments to employees for services	(122,983)
Cash payments to suppliers for goods or services	(93,001)
Net cash used in operating activities	<u>(114,616)</u>
Cash flows from non-capital financing activities:	
State grants received	3,178
Federal grants received	94,178
Net cash provided by non-capital financing activities	<u>97,356</u>
Cash flows from investing activities:	
Interest on investments	273
Net cash provided by investing activities	<u>273</u>
Net decrease in cash and cash equivalents	(16,987)
Cash and cash equivalents at beginning of year	<u>6,633</u>
Cash and cash equivalents at end of year	<u><u>\$ (10,354)</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (138,199)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,839
Depreciation	3,540
Increase in inventories	(45)
Increase in deferred revenue	249
Net cash used in operating activities	<u><u>\$ (114,616)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ (10,354)</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$19,839.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 6,000</u>
Total assets	<u> 6,000</u>
Liabilities	<u> 0</u>
Net assets	
Reserved for scholarships	<u><u>\$ 6,000</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions	<u>\$ 0</u>
Deductions	<u>0</u>
Change in net assets	0
Net assets beginning of year	<u>6,000</u>
Net assets end of year	<u>\$ 6,000</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Harrison Community School District has included all funds, organizations, Account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison and Monona Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 217,134</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/28/05	1/27/06	\$ 548,909	10,535	547,000	9,642
2006-07A	6/28/06	6/26/07	948,680	295	950,000	242
Total			\$ 1,497,589	10,830	1,497,000	9,884

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06B	\$ 0	650,000	650,000	0
2005-06A	0	1,120,000	1,120,000	0
Total	\$ 0	1,770,000	1,770,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.900%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Total capital assets not being depreciated	20,000	0	0	20,000
Capital assets being depreciated:				
Buildings	5,836,921	38,258	0	5,875,179
Land improvements	183,259	2,201	0	185,460
Machinery and equipment	922,087	104,871	48,495	978,463
Total capital assets being depreciated	6,942,267	145,330	48,495	7,039,102
Less accumulated depreciation for:				
Buildings	1,386,983	115,994	0	1,502,977
Land improvements	156,831	2,484	0	159,315
Machinery and equipment	611,003	72,831	48,495	635,339
Total accumulated depreciation	2,154,817	191,309	48,495	2,297,631
Total capital assets being depreciated, net	4,787,450	(45,979)	0	4,741,471
Governmental activities capital assets, net	\$ 4,807,450	(45,979)	0	4,761,471

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 44,459	0	0	44,459
Less accumulated depreciation	20,800	3,540	0	24,340
Business-type activities capital assets, net	\$ 23,659	(3,540)	0	20,119

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 38,943
Support services:	
Transportation	33,888
Unallocated depreciation	72,831
	118,478
Total governmental activities depreciation expense	\$ 191,309
Business-type activities:	
Food service operations	\$ 3,540
Total business-type activities depreciation expense	\$ 3,540

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,640,000	0	300,000	2,340,000	305,000
Early retirement	81,004	4,726	19,811	65,919	17,073
Total	\$ 2,721,004	4,726	319,811	2,405,919	322,073

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue of April 1, 2003		
		Principal	Interest	Total
2007	2.50-2.65%	\$ 305,000	74,983	379,983
2008	2.85-3.00	315,000	66,791	381,791
2009	3.10-3.20	320,000	57,303	377,303
2010	3.30-3.40	330,000	46,980	376,980
2011	3.45-3.50	345,000	35,715	380,715
2012	3.55-3.65	355,000	23,551	378,551
2013	3.70-3.80	370,000	10,452	380,452
Total		\$ 2,340,000	315,775	2,655,775

Early Retirement

The District offered in prior years a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA Step I hiring base rate of pay. Early retirement benefits paid during the year ended June 30, 2006, totaled \$19,811.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$168,147, \$163,370, and \$151,716 respectively, equal to the required contributions for each year.

(7) Risk Management

West Harrison Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$154,145 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Fund Balance

The General Fund had a deficit undesignated fund balance of \$18,483 at June 30, 2006. The Management Fund had a deficit undesignated fund balance of \$12,941 at June 30, 2006. There was a deficit of \$6,022 of unrestricted net assets in the School Nutrition Fund.

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund	Fund	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 2,981,406	101,392	3,082,798	3,329,338	3,329,338	(246,540)
Intermediate sources	4,925	0	4,925	0	0	4,925
State sources	2,301,134	3,178	2,304,312	2,388,309	2,388,309	(83,997)
Federal sources	315,908	114,017	429,925	658,000	658,000	(228,075)
Total revenues	5,603,373	218,587	5,821,960	6,375,647	6,375,647	(553,687)
Expenditures:						
Instruction	3,014,617	0	3,014,617	3,587,242	3,587,242	572,625
Support services	1,743,600	0	1,743,600	1,675,250	1,675,250	(68,350)
Non-instructional programs	0	239,318	239,318	383,963	383,963	144,645
Other expenditures	653,474	0	653,474	1,606,170	1,606,170	952,696
Total expenditures	5,411,691	239,318	5,651,009	7,252,625	7,252,625	1,601,616
Excess(deficiency) of revenues over(under) expenditures before other financing sources	191,682	(20,731)	170,951	(876,978)	(876,978)	1,047,929
Other financing sources, net	1,519	0	1,519	0	0	1,519
Excess(deficiency) of revenues over(under) expenditures	193,201	(20,731)	172,470	(876,978)	(876,978)	1,049,448
Balance beginning of year	377,237	34,828	412,065	1,181,444	1,181,444	(769,379)
Balance end of year	\$ 570,438	14,097	584,535	304,466	304,466	280,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds					Debt Service	Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue		
ASSETS							
Cash and pooled investments	\$ (14,654)	25,018	9,597	199,195	219,156	64,350	283,506
Receivables:							
Property tax:							
Current year delinquent	1,713	0	761	0	2,474	6,649	9,123
Succeeding year	135,000	0	45,814	0	180,814	310,383	491,197
Due from other governments	0	0	21,918	0	21,918	0	21,918
TOTAL ASSETS	\$ 122,059	25,018	78,090	199,195	424,362	381,382	805,744
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 0	572	0	0	572	0	572
Deferred revenue:							
Succeeding year property tax	135,000	0	45,814	0	180,814	310,383	491,197
	135,000	572	45,814	0	181,386	310,383	491,769
Fund equity:							
Fund balances:							
Reserved for:							
Debt Service	0	0	0	0	0	70,999	70,999
Unreserved:							
Undesignated	(12,941)	24,446	32,276	199,195	242,976	0	242,976
Total fund balances	(12,941)	24,446	32,276	199,195	242,976	70,999	313,975
TOTAL LIABILITIES AND FUND EQUITY	\$ 122,059	25,018	78,090	199,195	424,362	381,382	805,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 98,601	0	43,780	0	142,381	382,663	525,044
Other	0	116,323	786	119,681	236,790	2,557	239,347
State sources	78	0	35	0	113	304	417
Federal sources	0	0	21,918	0	21,918	0	21,918
TOTAL REVENUES	98,679	116,323	66,519	119,681	401,202	385,524	786,726
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	28,376	0	0	0	28,376	0	28,376
Other instruction	0	104,262	0	21,706	125,968	0	125,968
Support services:							
Operation and maintenance of plant services	71,524	0	0	0	71,524	0	71,524
Student transportation	0	0	102,849	0	102,849	0	102,849
Other expenditures:							
Facilities acquisitions	0	0	37,933	0	37,933	0	37,933
Long-term debt:							
Principal	0	0	0	0	0	300,000	300,000
Interest	0	0	0	0	0	82,283	82,283
TOTAL EXPENDITURES	99,900	104,262	140,782	21,706	366,650	382,283	748,933
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,221)	12,061	(74,263)	97,975	34,552	3,241	37,793
FUND BALANCE BEGINNING OF YEAR	(11,720)	12,385	106,539	101,220	208,424	67,758	276,182
FUND BALANCE END OF YEAR	\$ (12,941)	24,446	32,276	199,195	242,976	70,999	313,975

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 20	720	195	545
Danz Team	252	0	12	240
Yearbook	0	5,206	5,206	0
Athletic Fundraiser	3,335	27,657	30,278	714
Pop/Snack/Pen/Pencil	(325)	26,032	24,601	1,106
JH History Day	0	684	345	339
Cheerleaders	284	4,376	4,008	652
FCCLA	0	6,265	5,684	581
History Day Grant	463	1,296	1,137	622
Red Cross Club	343	410	447	306
Drama	1,017	1,358	850	1,525
Boys Summer League Basketball	2,558	768	1,907	1,419
Elem. Pictures	258	0	0	258
C.O.R.E. Fundraiser	46	0	0	46
Communications Video	92	0	0	92
Vocational Fundraiser	133	0	0	133
Choral & Senior Gowns	1,365	0	0	1,365
National Honor Society	61	664	288	437
Ind Arts Marketing	171	330	495	6
Class of 2006	0	824	824	0
JH Music	(60)	180	85	35
Instrumental Music	(171)	2,245	2,074	0
Elem. Music	100	25	0	125
Vocal Music	(955)	0	(955)	0
Scholarship	572	0	570	2
Student Council	148	3,618	3,564	202
Softball Sign	(1,522)	2,045	256	267
JH Athletics	0	990	865	125
Lift-A-Thon	2,947	1,219	345	3,821
MS Vocal Music	170	2,947	3,117	0
Baseball	38	270	0	308
Football	0	3,175	861	2,314
Boys Track	351	221	1	571
Girls Track	0	1,080	823	257
Experiment in Intern. Living	(96)	748	0	652
Elem Jump Rope for Heart	209	0	130	79
MS Student Council	289	871	903	257
Middle School Fundraiser	164	7,890	4,578	3,476
Elem. Fundraiser	106	0	0	106
SH Fundraiser	22	116	0	138
Boys Basketball	0	260	50	210
Volleyball	0	515	515	0
Fall Sports fund-raiser	0	2,640	2,500	140
Elementary skate rental fund	0	980	904	76
Total	\$ 12,385	116,323	104,262	24,446

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	2,359,915	2,263,627	2,114,411	2,058,050
Tuition		256,689	282,570	351,140	229,838
Other		364,802	308,453	168,476	300,782
Intermediate sources		4,925	0	0	0
State sources		2,301,134	2,359,487	1,938,519	1,968,842
Federal sources		315,908	298,610	270,123	245,632
Total	\$	5,603,373	5,512,747	4,842,669	4,803,144
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,880,985	1,850,542	1,676,106	1,549,504
Special instruction		609,976	887,368	811,205	613,471
Other instruction		523,656	386,208	374,496	346,313
Support services:					
Student services		146,616	122,347	94,346	129,471
Instructional staff services		198,741	130,832	123,822	98,909
Administration services		545,057	561,189	566,158	493,160
Operation and maintenance of plant services		379,808	416,196	365,320	342,641
Transportation services		473,378	357,111	299,068	214,079
Central services		0	0	0	52,507
Non-instructional programs		0	24,719	5,406	11,335
Other expenditures:					
Facilities acquisitions		117,046	329,026	37,741	121,575
Long-term debt:					
Principal		300,000	295,000	260,000	235,000
Interest		82,283	87,976	115,506	192,388
AEA flow-through		154,145	154,609	139,940	148,523
Total	\$	5,411,691	5,603,123	4,869,114	4,548,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Harrison Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Harrison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of West Harrison Community School District and other parties to whom West Harrison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Harrison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 11, 2006

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - Interest should be allocated out to various accounts, at least on an annual basis.

Response - Interest will be allocated to various accounts before the end of the fiscal year.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will monitor the budget closer and make sure that the budget is amended in the future.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District Officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joyce Hall, Secretary Spouse of Owner of Hall Body Shop	Purchased Services	\$149

In accordance with the Attorney General's opinion dated November 9, 1976 the above transaction with the spouse does not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted a variance in Line 1 of the basic enrollment data certified to the Department of Education. The certified enrollment appears to be understated by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Department of Education and Department of Management on this matter.

Conclusion - Response accepted.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-06 Financial Condition - The District had a deficit undesignated fund balance of \$18,483 in the General Fund, a deficit undesignated fund balance of \$12,941 in the Management Fund and a deficit unrestricted net assets of \$6,002 in the School Nutrition Fund. We also noted that the Student Activity Fund had accounts with negative balances at June 30, 2006.

Recommendation - The District should continue to monitor these funds and accounts and investigate alternatives to eliminate the deficits.

Response - We will monitor these accounts and investigate any available options to eliminate the deficits.

Conclusion - Response accepted.